

# A soft landing... but it's still a slowdown

## Waitaki District Council

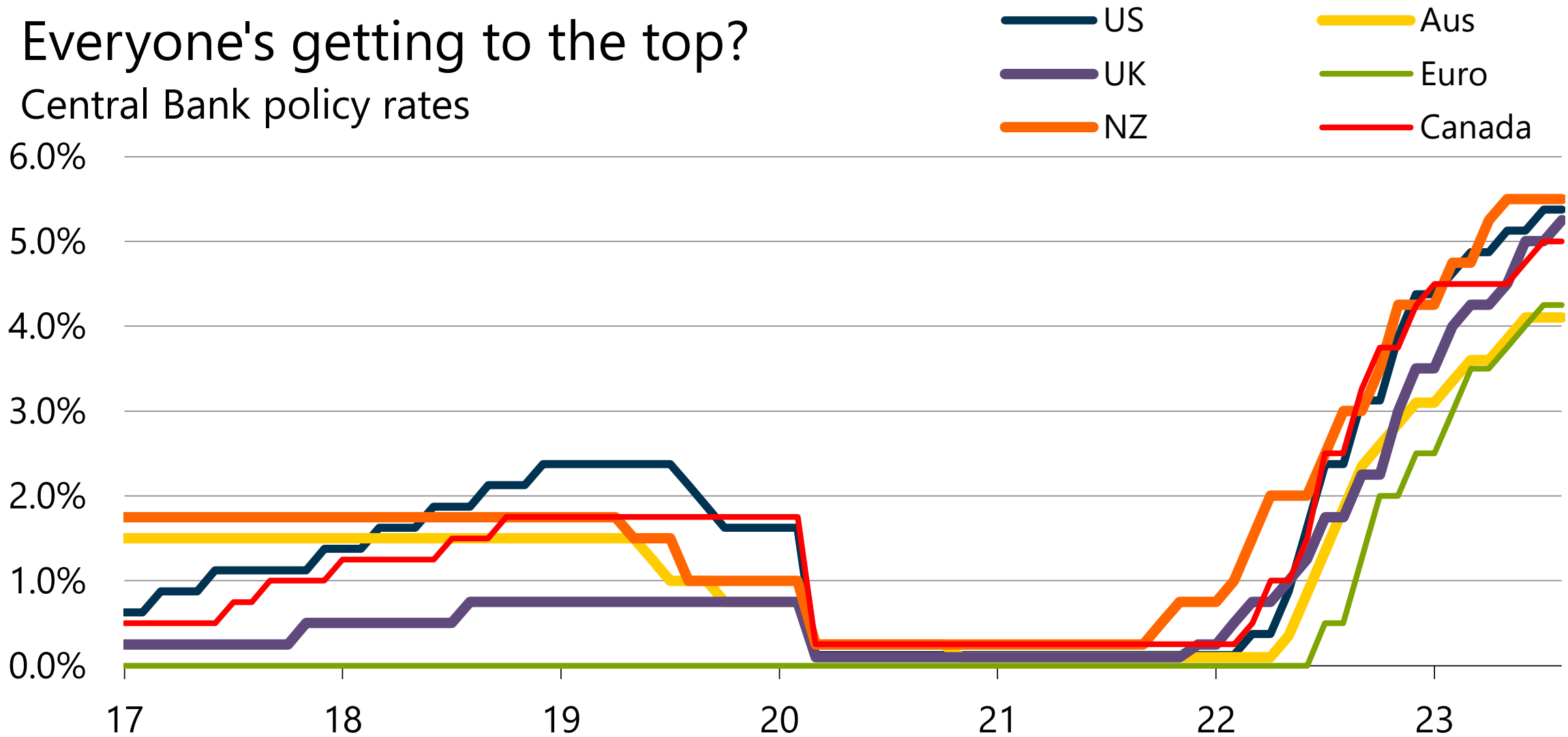
Brad Olsen (Chief Executive & Principal Economist) and Nick Brunsdon (Senior Economist)

31 October 2023

# Interest rates are higher globally

## Everyone's getting to the top?

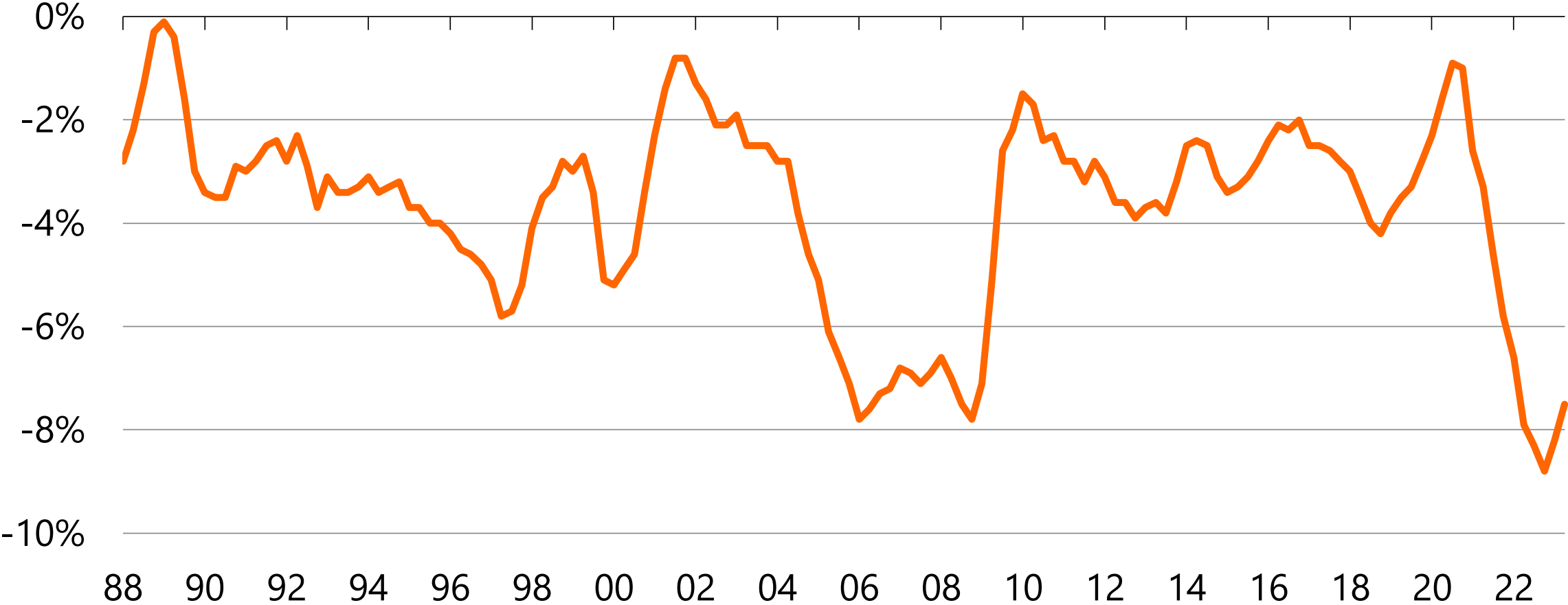
### Central Bank policy rates



# Still exposed to the global economy

## Spending more than we earn

Current account balance, % of GDP, annual

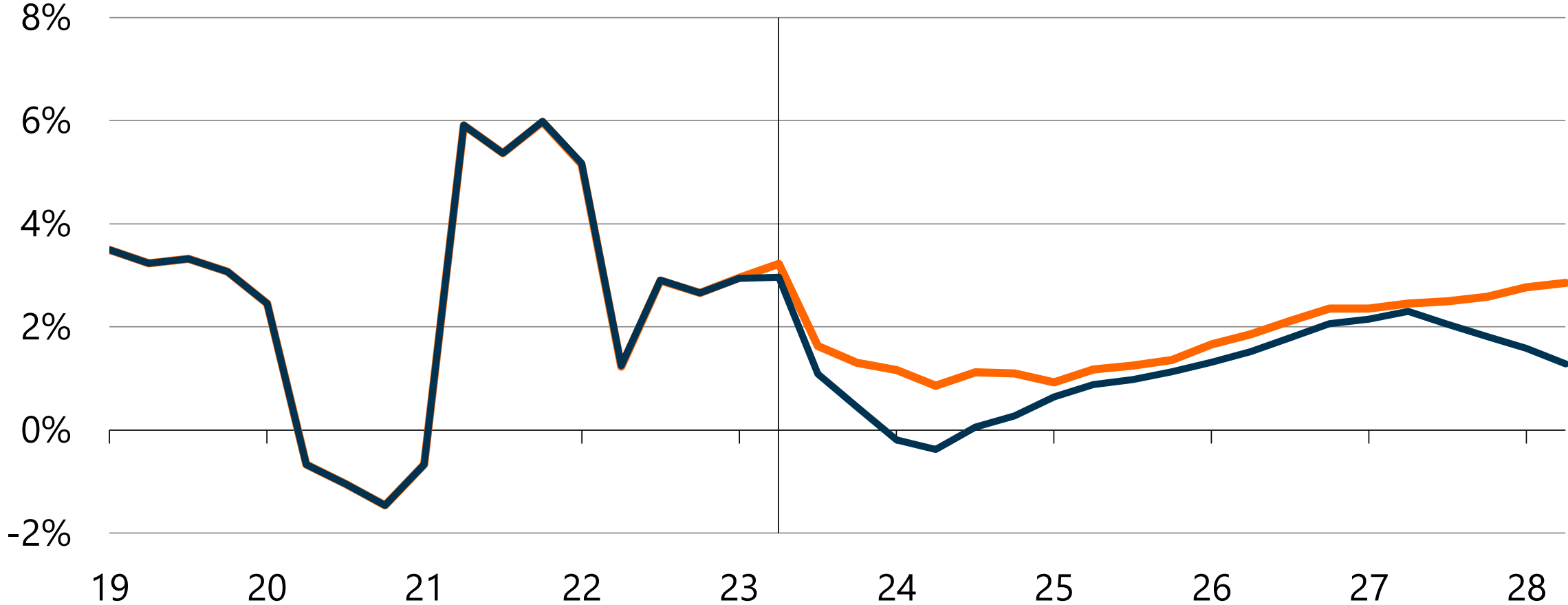


# Signs of resilience

## Resilient households keep growth positive

GDP forecast comparison, year-end % changes

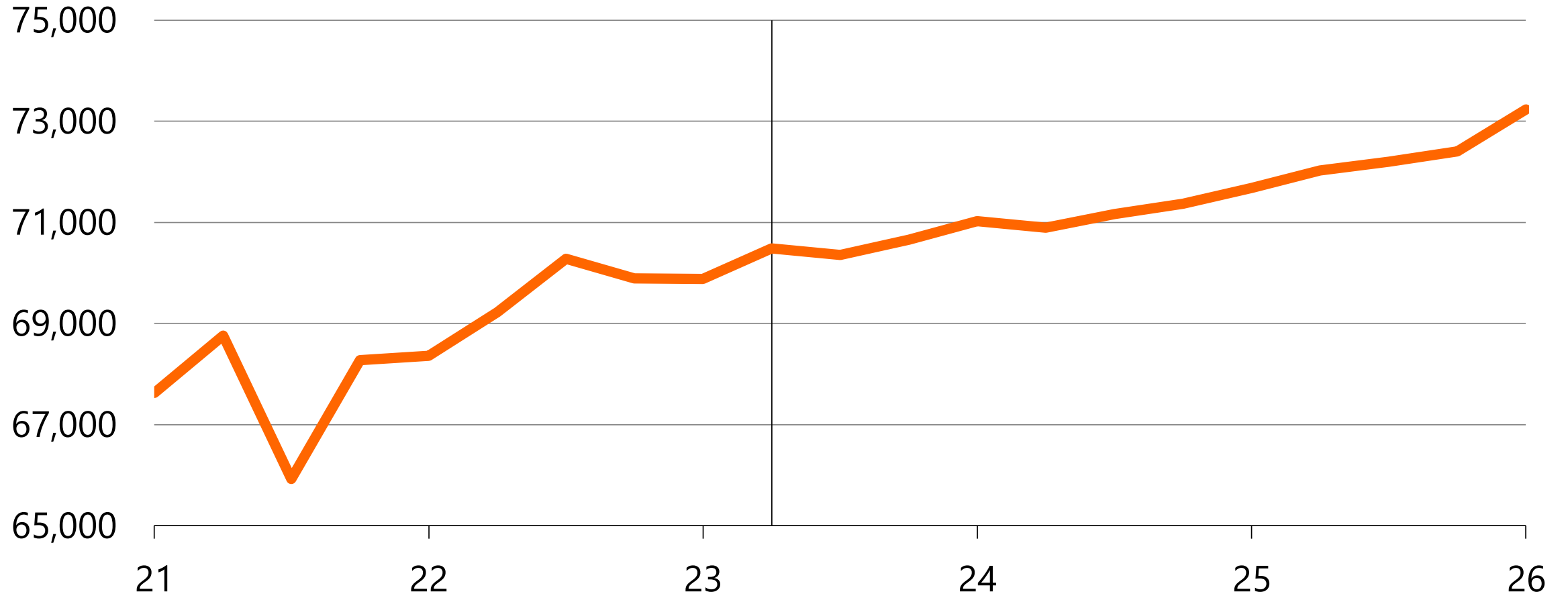
Oct 23 forecast  
Jul 23 forecast



# Subdued outlook remains

## Stronger but still subdued growth

Quarterly GDP, seas. adj. 2009/10 \$m, Infometrics forecasts

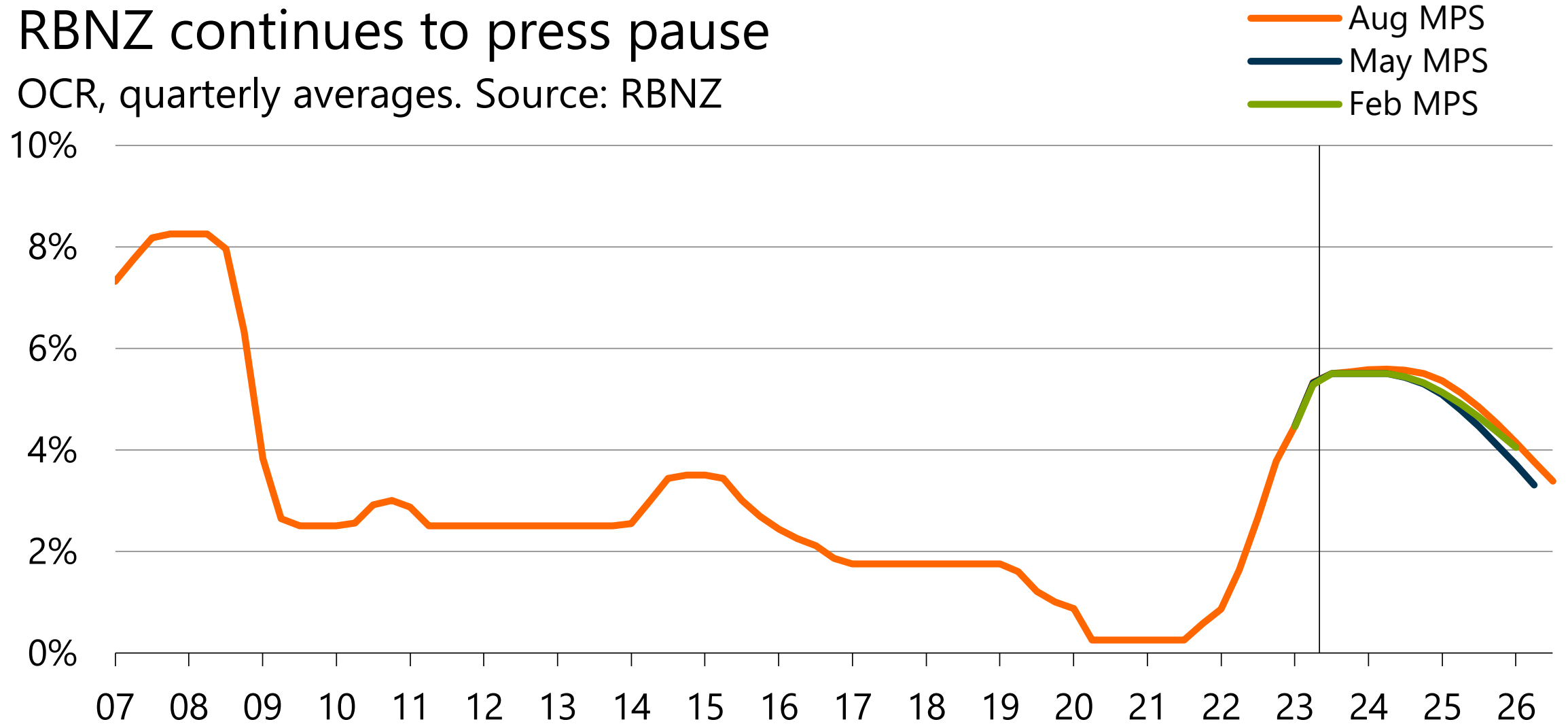


**Interest rates staying  
“higher for longer”**

# OCR on hold – high bar for more

## RBNZ continues to press pause

OCR, quarterly averages. Source: RBNZ



# “Higher for longer” boosts wholesale rates

Long term bonds up 81bps since start of August

— 10 year bonds

US 10 year bond yield, daily

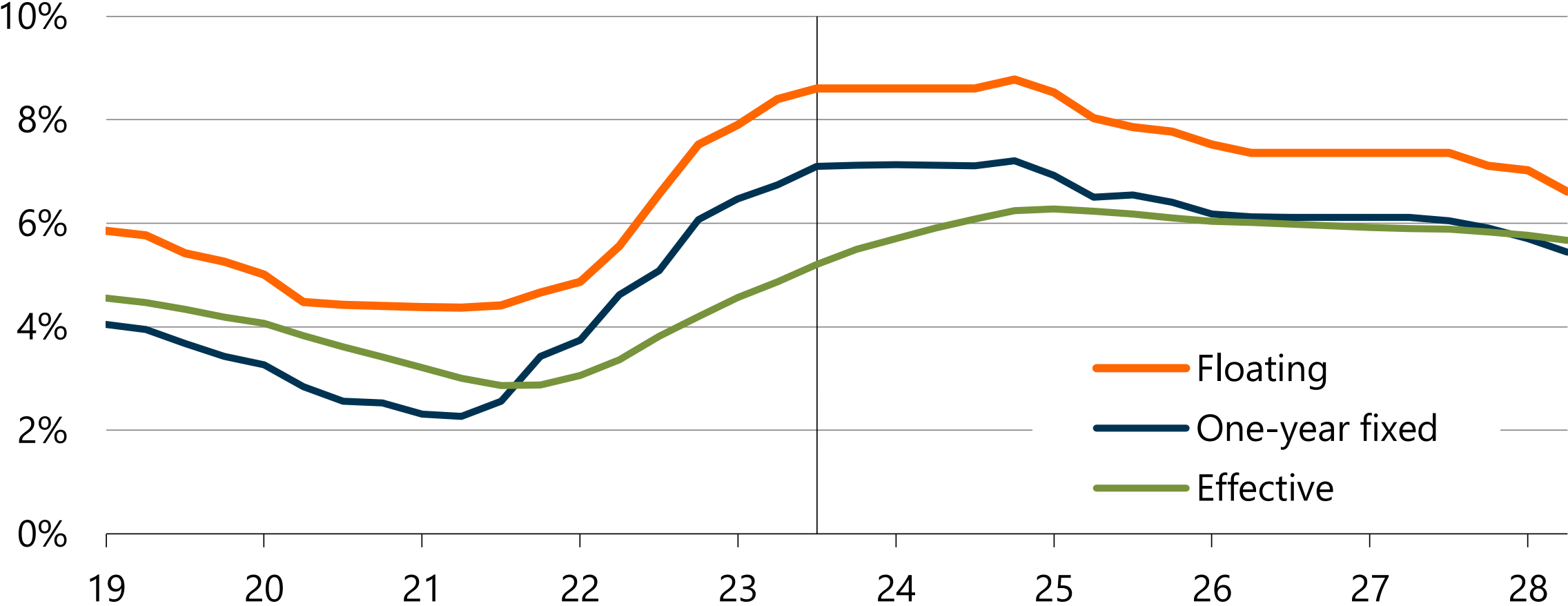




# Not a lot of relief in sight

## Interest rates stay high throughout 2024

Mortgage rates, quarterly averages



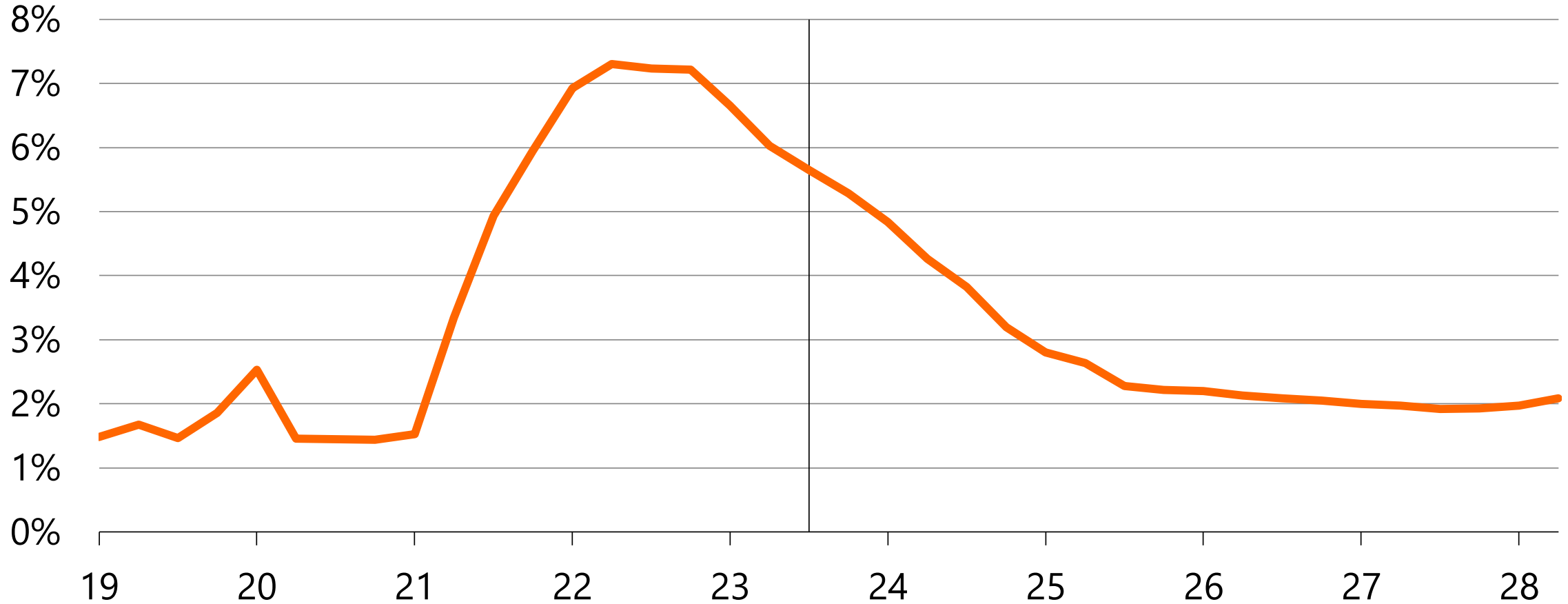
**Pricing pressures ease, but will  
force prioritisation**

# Better inflationary pathway

## Inflation waning despite higher petrol prices

Annual Consumers Price Index inflation

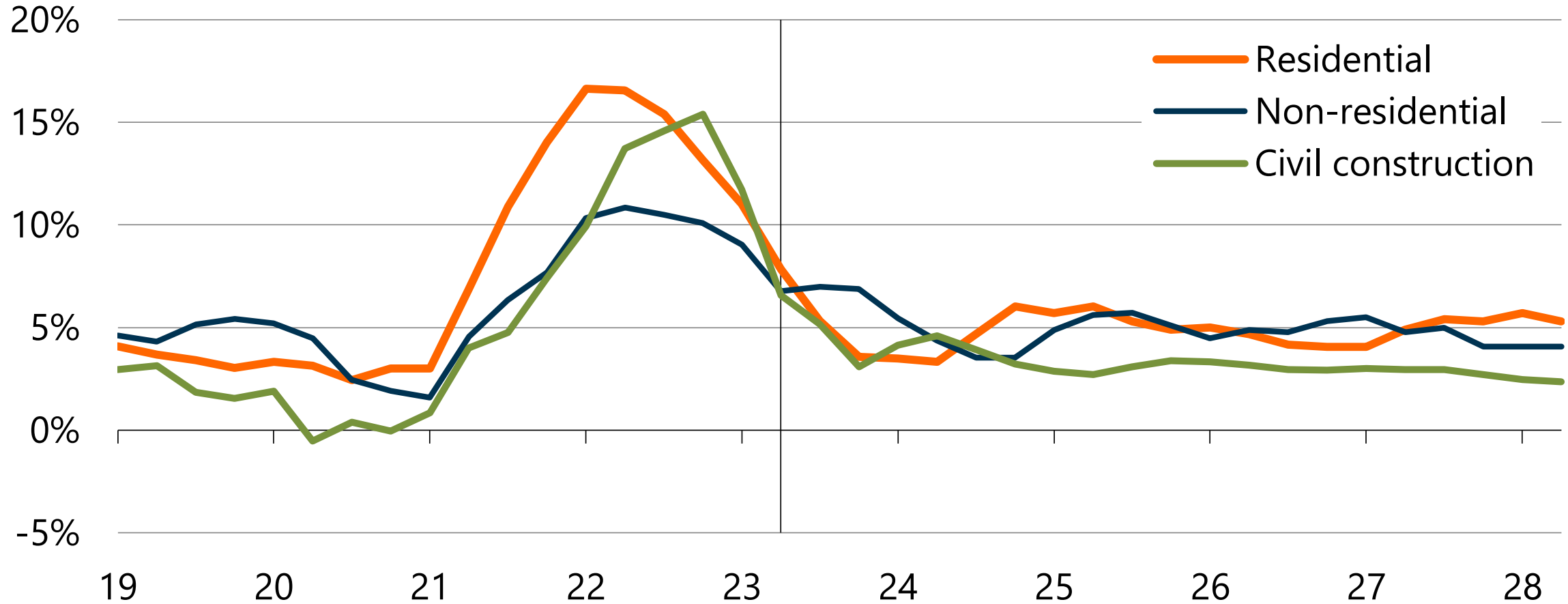
Oct 23 forecast



# Cost pressures still uncomfortable

## Cost growth slows, but pressures won't disappear

Construction costs, annual % changes

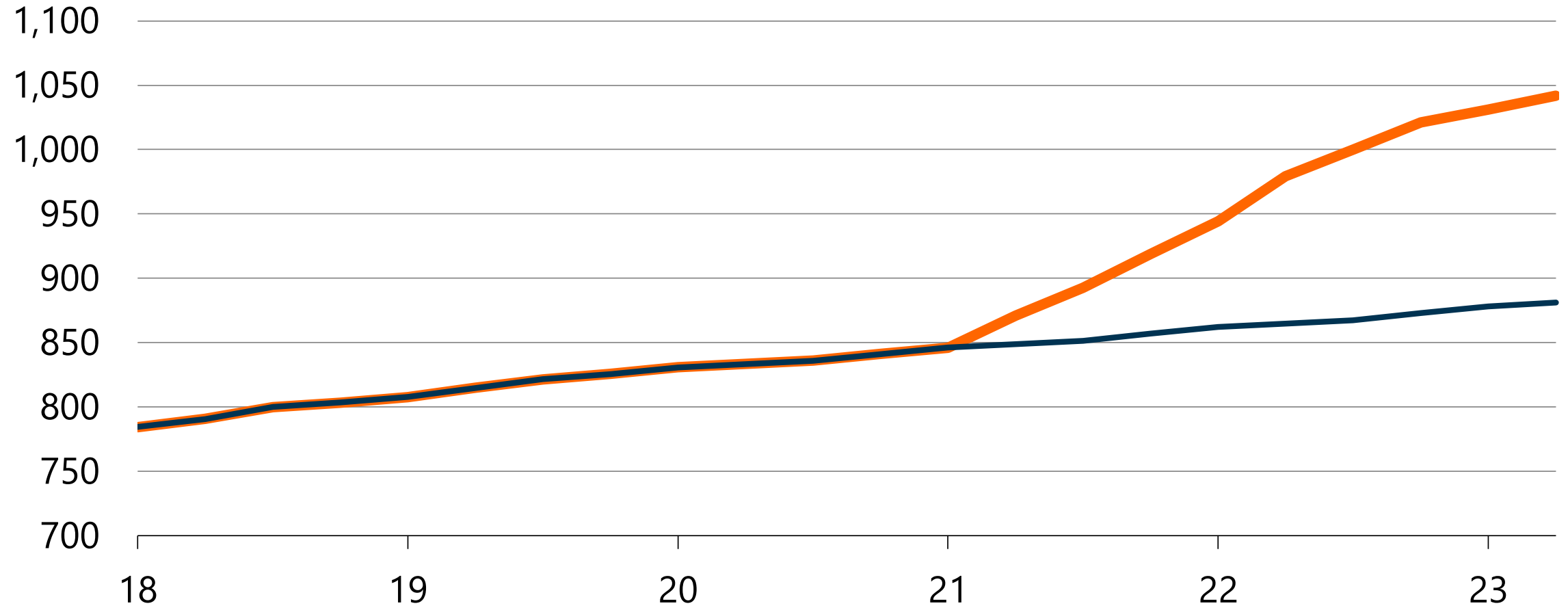


# A different path than last time

CGPI up 18% from pre-inflation baseline

Capital goods price index, price level, Sep-22 = 1,000

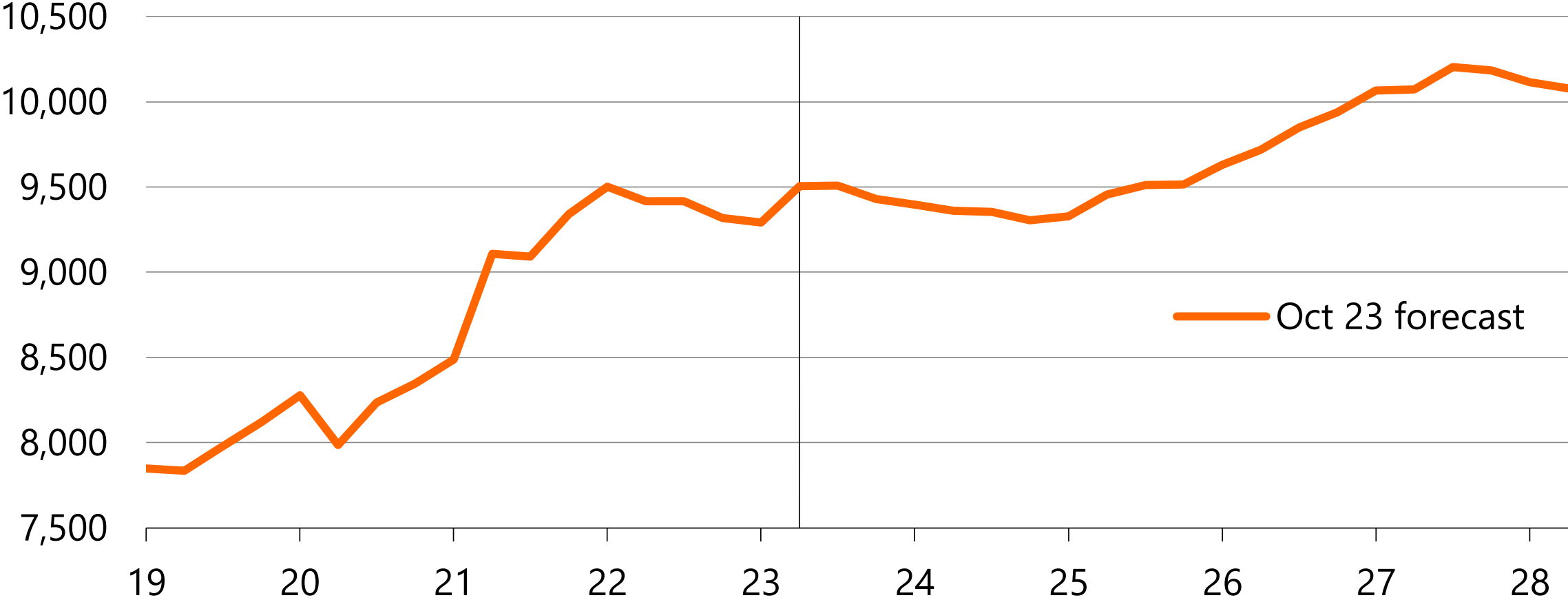
- Capital Goods Price Index
- Adjusted - CGPI (1.9%pa)



# More infrastructure too

## Betting on the new government's ability to deliver

Infra investment, year-end gross fixed cap. formation, 2009/10 \$m



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## • Likely coalition outcomes •

- Cuts to departmental spending
- Tax cuts and tax bracket indexation
- Changes to rules around property investment
- Infrastructure investment (particularly in the regions)
- Roading projects instead of rail
- Fast-tracking of consents (resource and building)
- Pared back environmental policies/more ETS focus
- Removal of employment from Reserve Bank's mandate

# Some strong local foundations, and some challenges

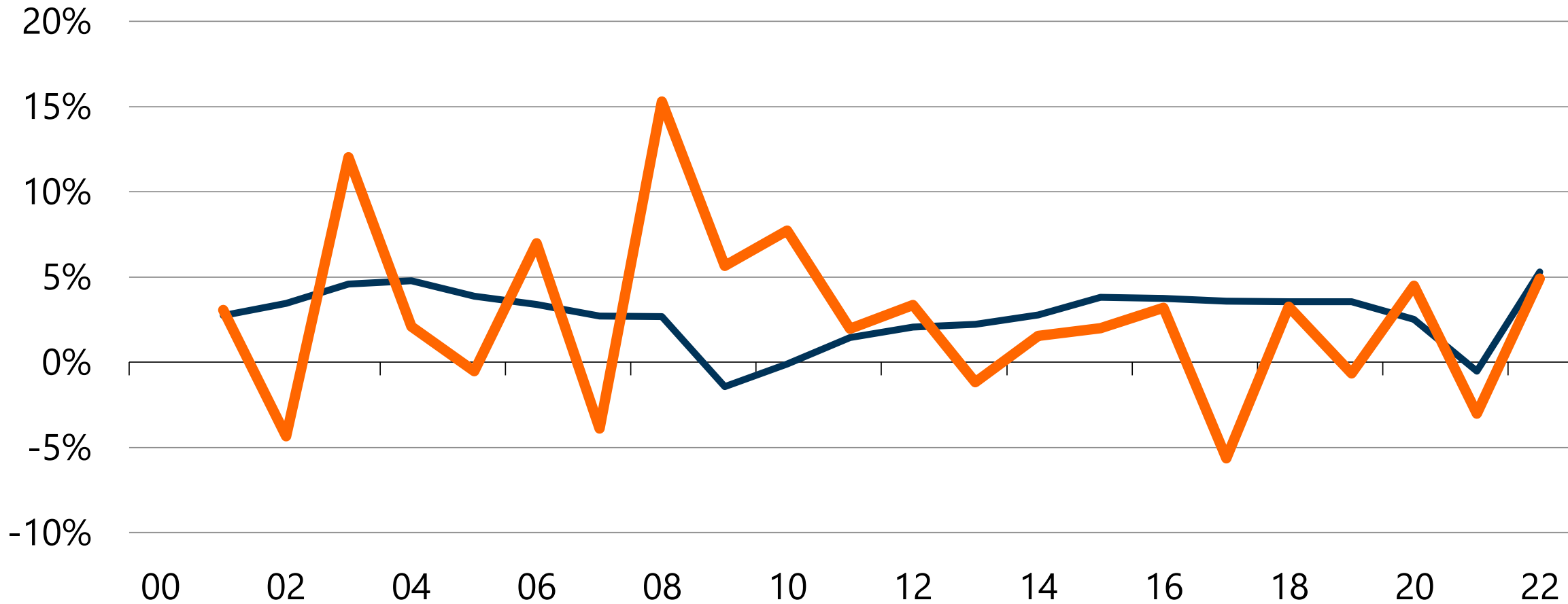


# Economic growth trending in line

## Growth trending closer to the national average

Annual GDP growth, March years

New Zealand  
Waitaki District

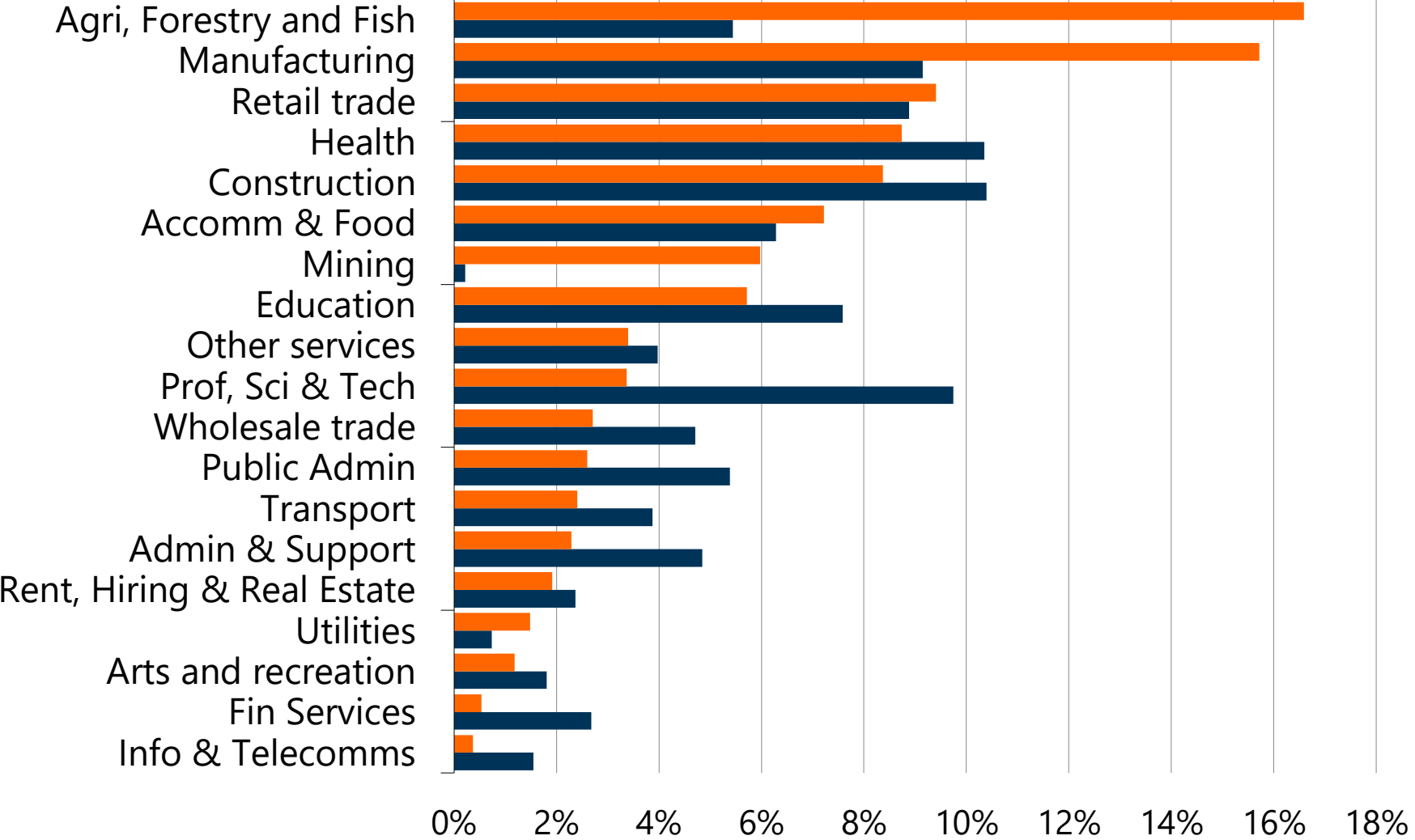


# Local economic structure

## Primary and manufacturing focus in Waitaki

Share of employment, year to March 2022

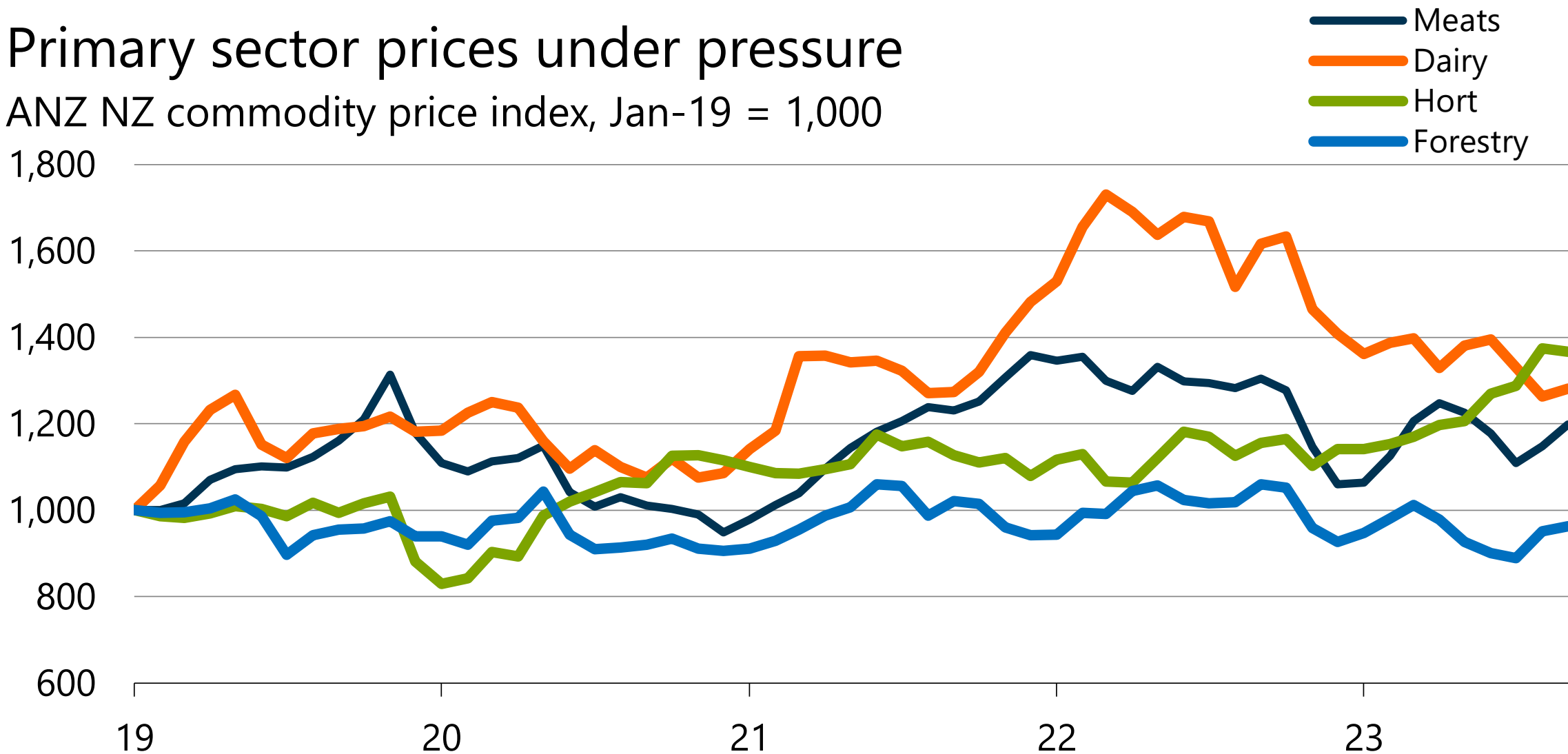
■ Waitaki District  
■ New Zealand



# Challenges for primary sector

## Primary sector prices under pressure

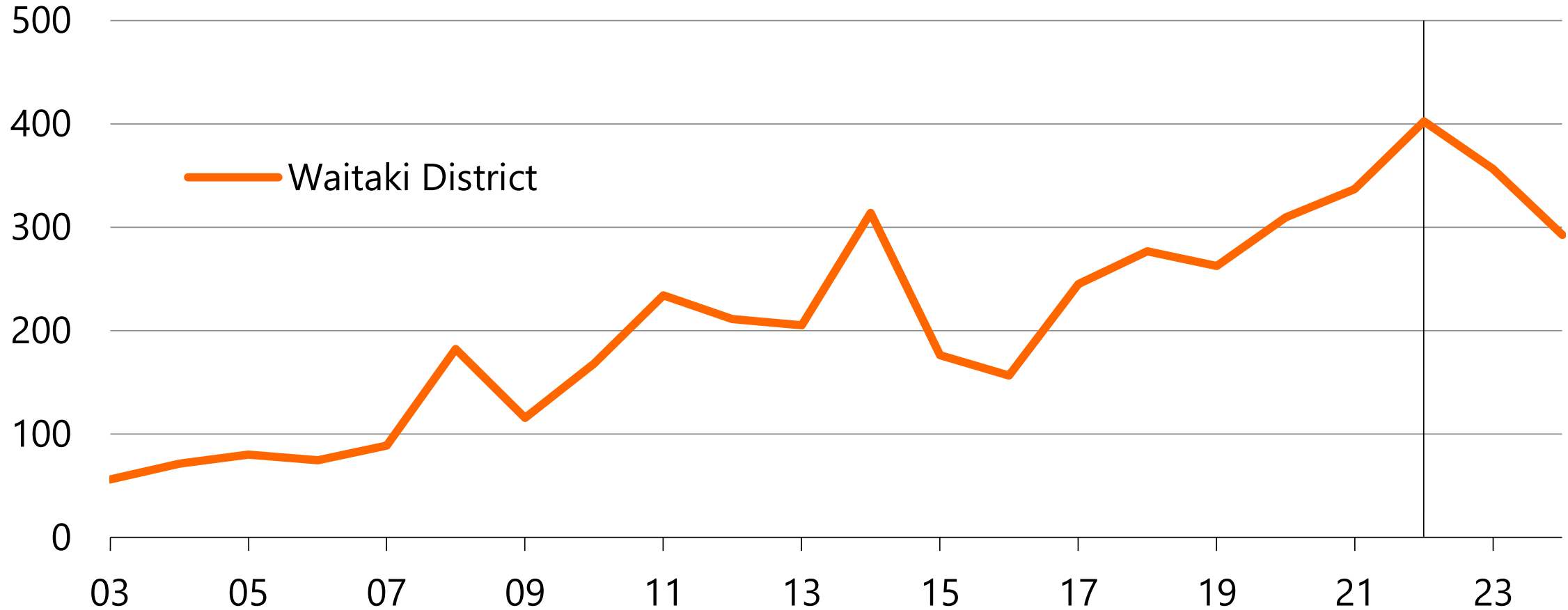
ANZ NZ commodity price index, Jan-19 = 1,000



# Challenges for primary sector

## A \$110m cut to the dairy pay-out expected

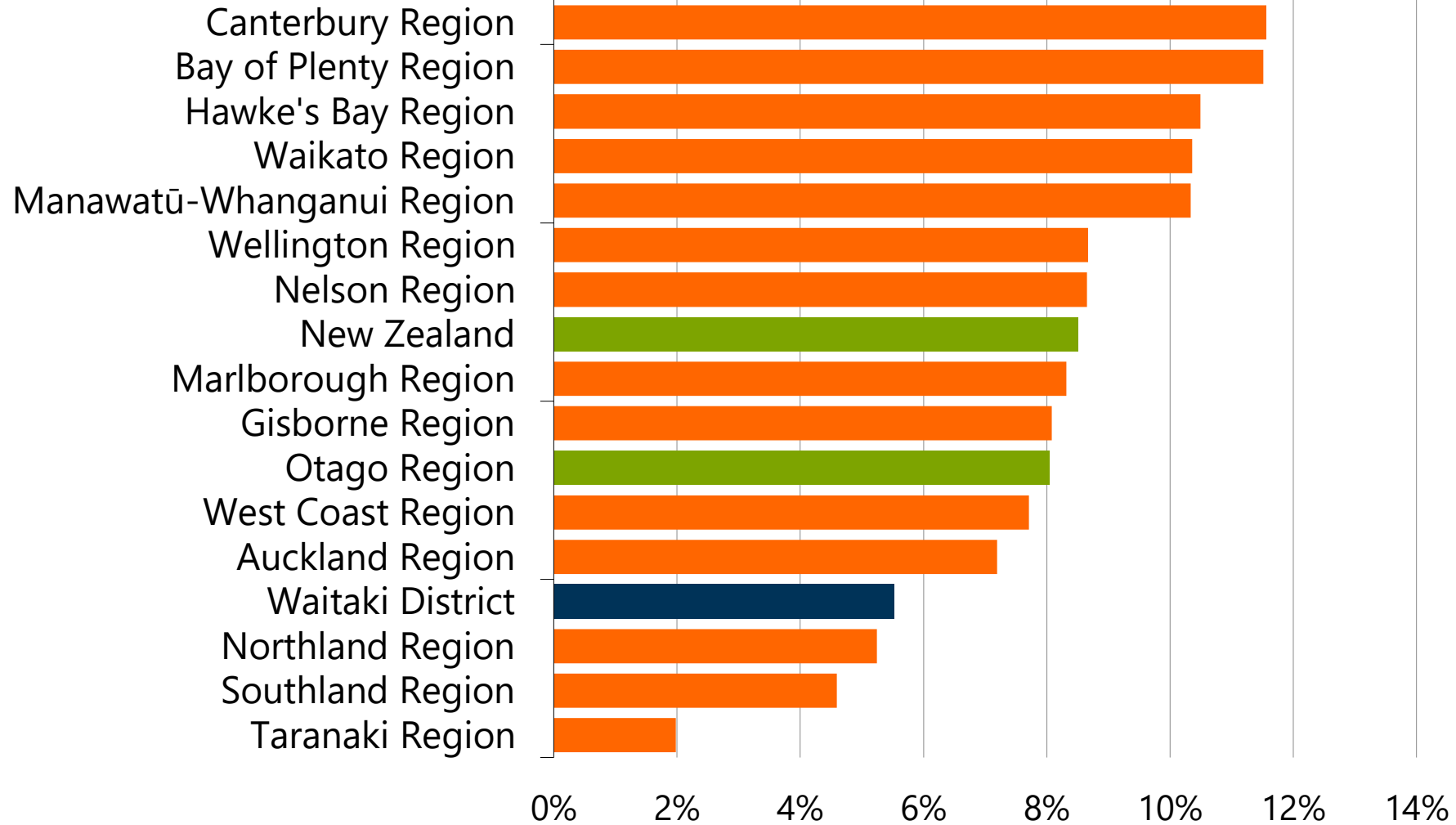
Estimated farmgate dairy pay-out, \$m



# Solid but restrained growth

## Solid growth in Waitaki

Provisional annual economic activity estimates, Jun-23 vs Dec-19

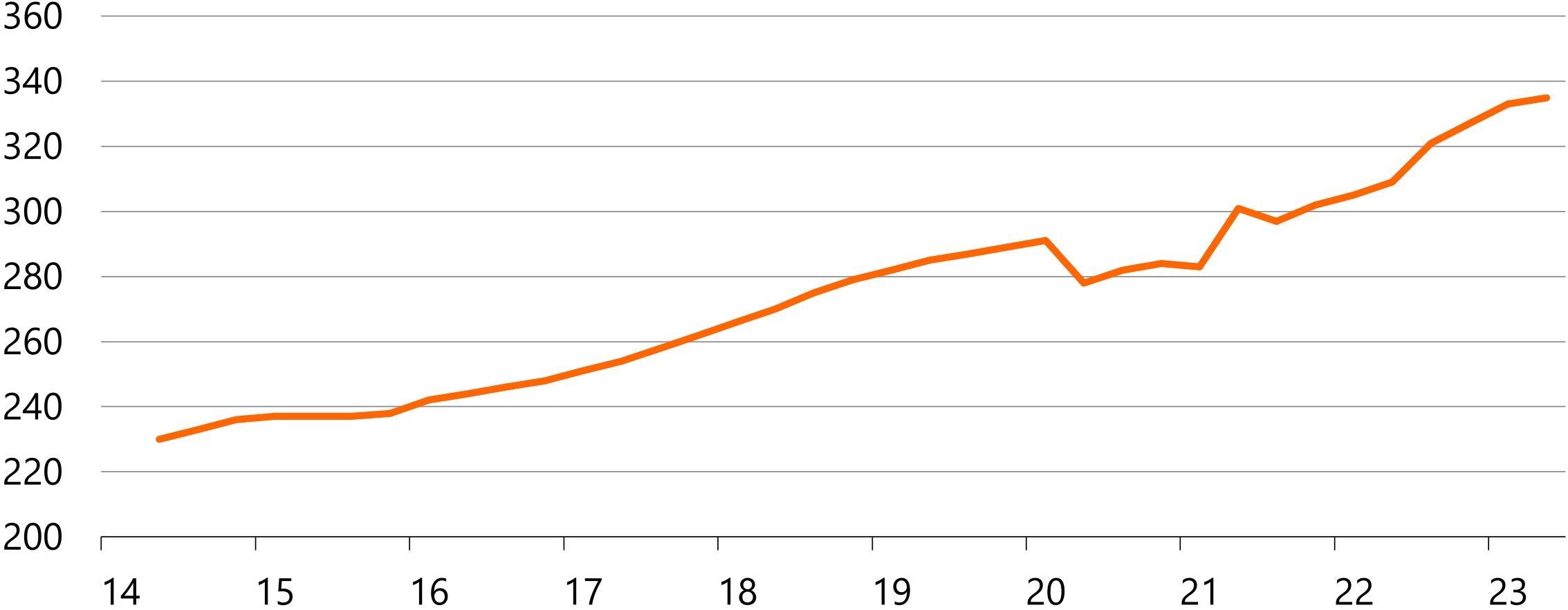


# Spending growth starts to slow

Annual spending up 8%pa, slowing to 3% in Q2

\$m, card spending, annual running totals. Source: Marketview

— Waitaki District

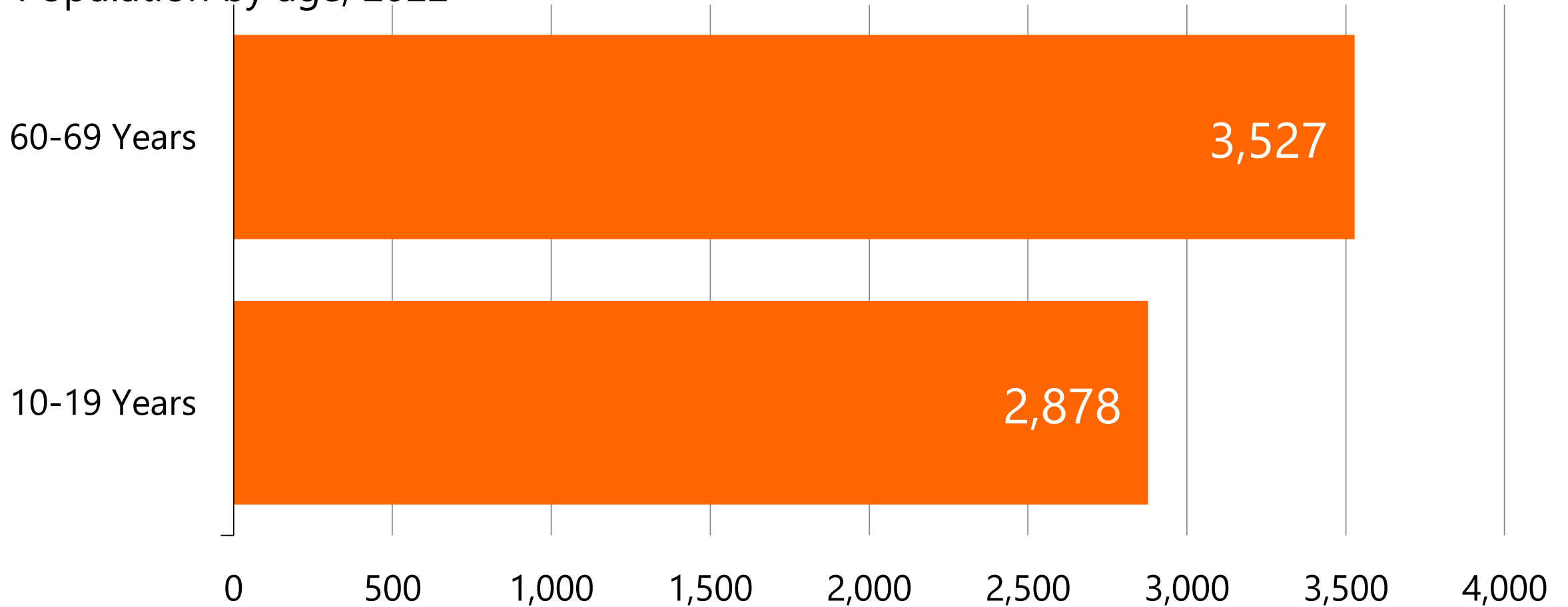


# Our aging population

More people leaving labour market than entering

Population by age, 2022

■ Waitaki District



# Population shifts



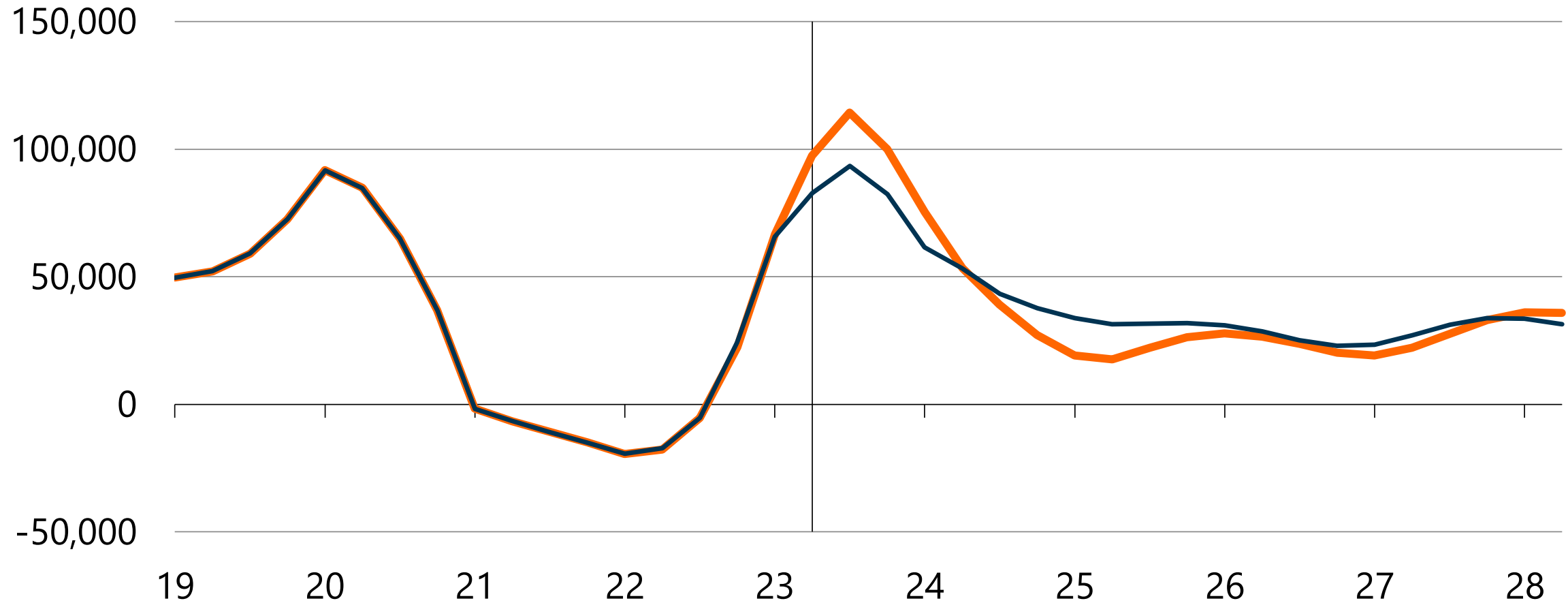
# From a net loss to a record net gain

## Kiwi outflow drags migration lower in 2025

Migration forecast comparison, annual net flows

Oct 23 forecast

Jul 23 forecast

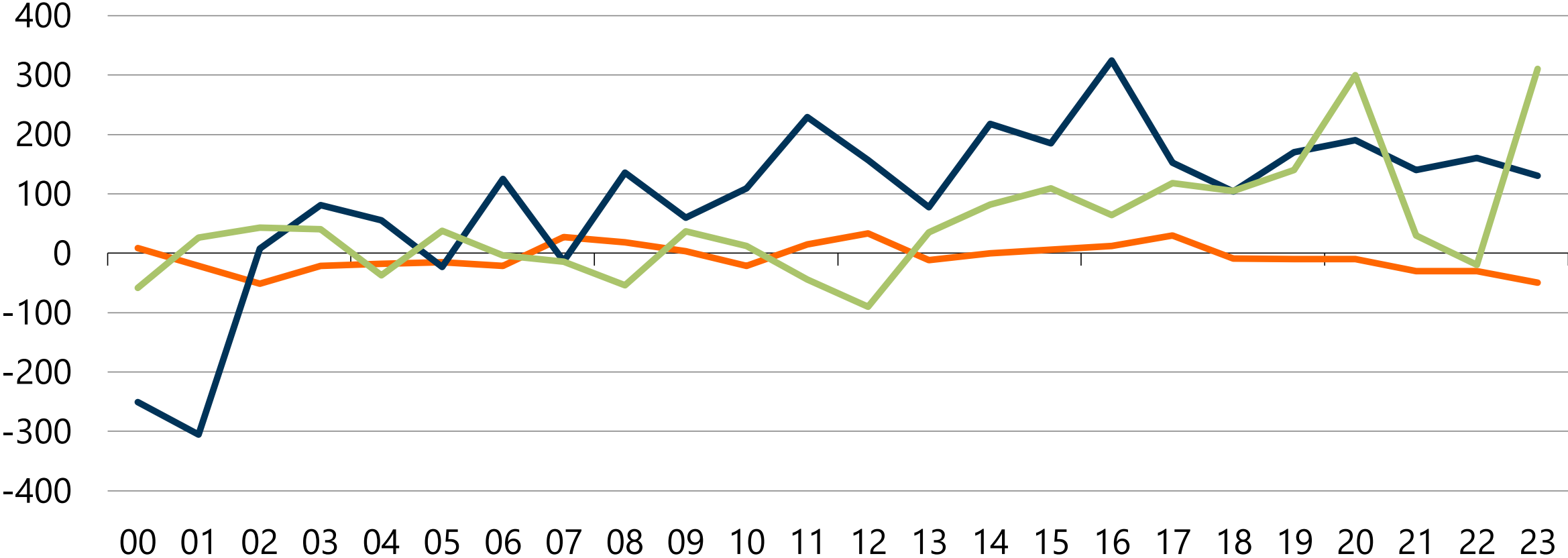


# Population

## Migration boosts growth, natural increase worsens in Waitaki

Annual population growth components, Stats NZ

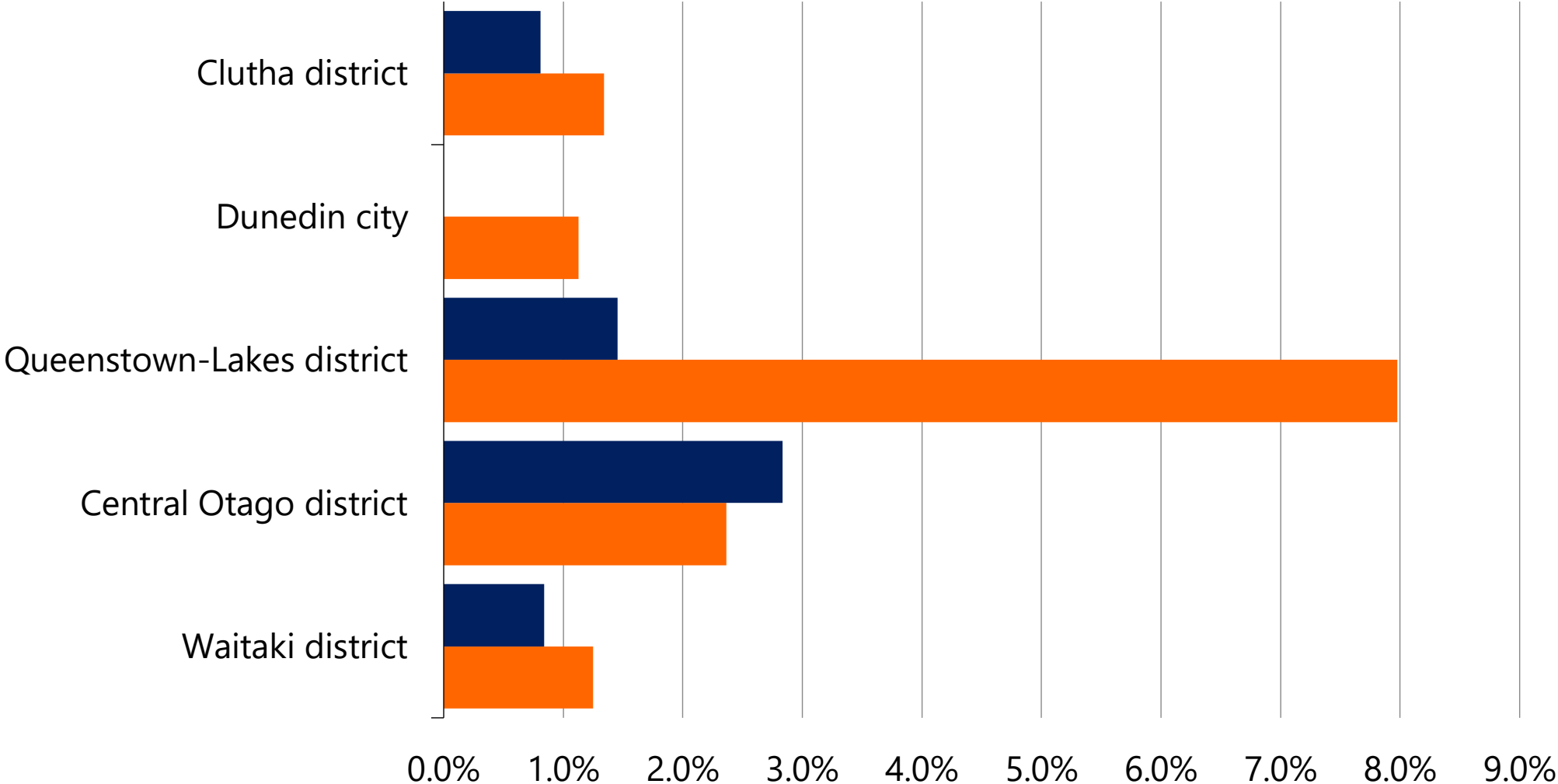
- Natural increase
- Net internal migration
- Net international migration



# Population

## Otago population growth Annual % change

■ 2022 ■ 2023



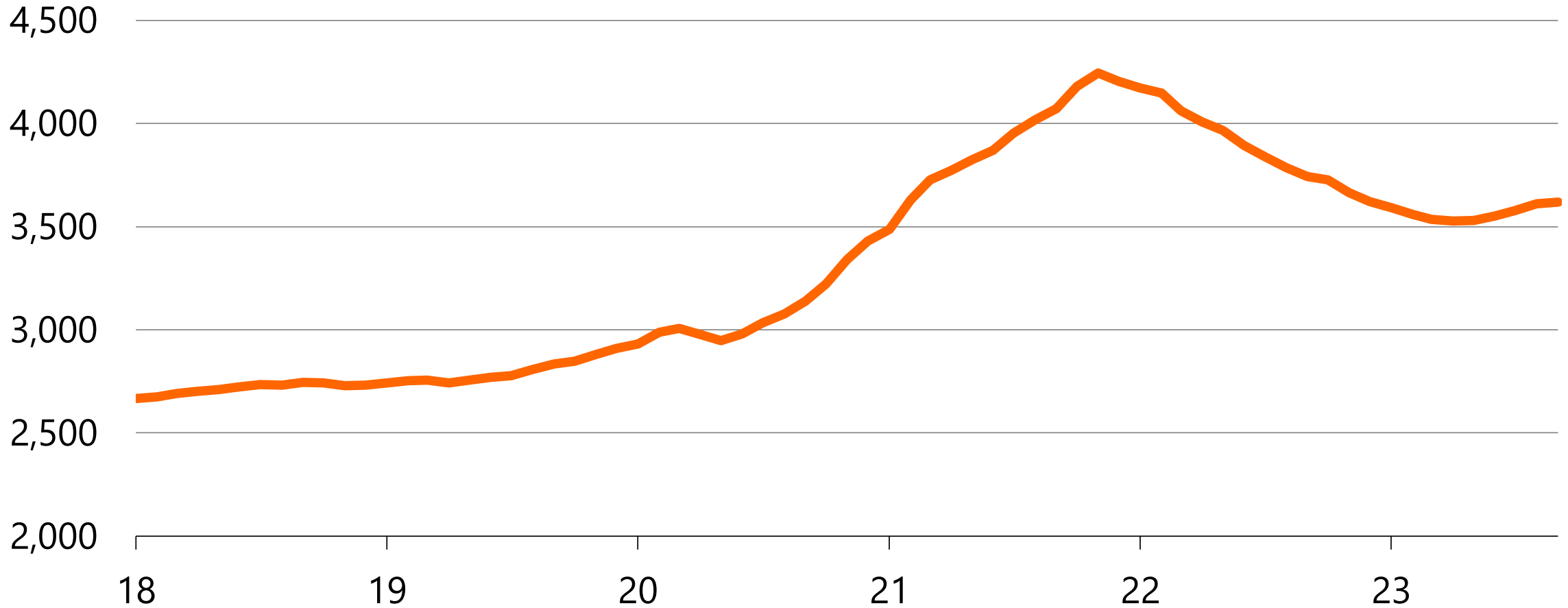
**Housing activity rebounds**

**But we're still expecting restraint**

# Rise comes after big fall

## Migration puts a floor under house prices

REINZ House Price Index, seasonally adjusted

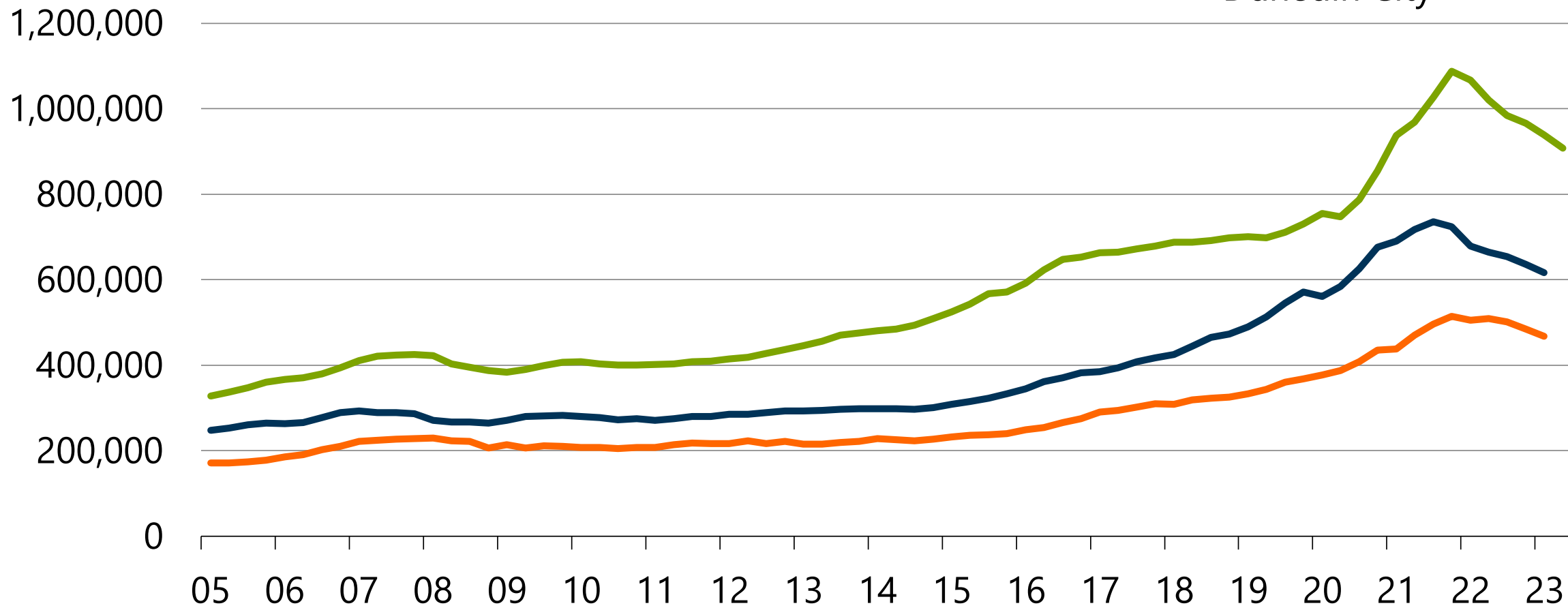


# House values lower than peak

## Waitaki house values down 7.6%pa

Average house value, Infometrics estimates

- New Zealand
- Waitaki District
- Dunedin City

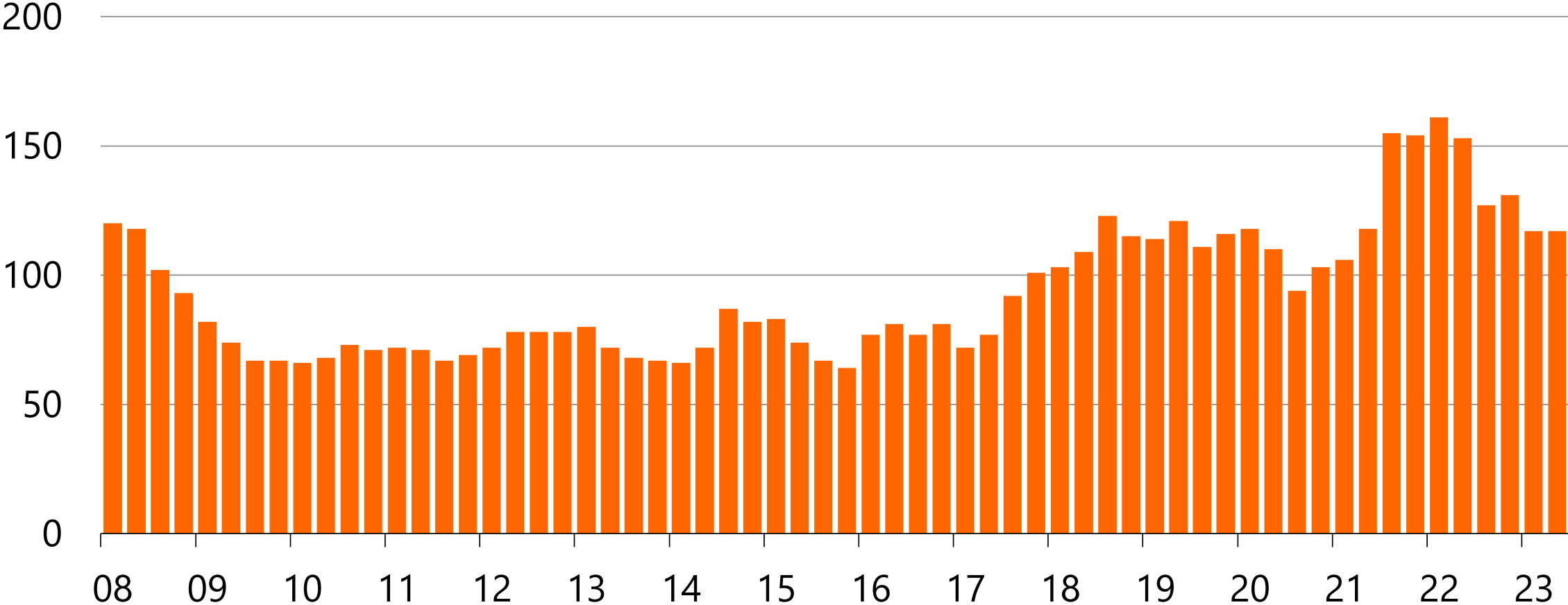


# Softer building outlook

## Consents coming off a plateau

Annual running total, residential consents

Waitaki District

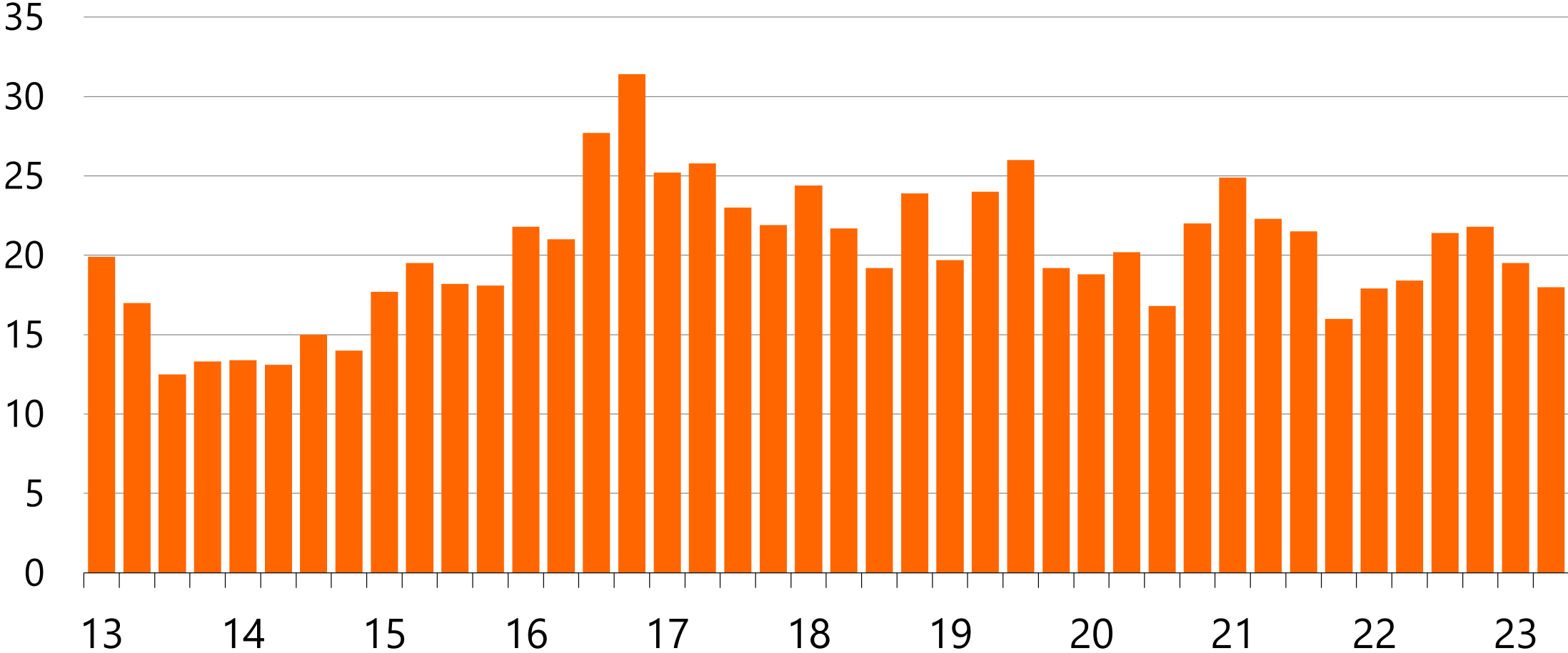


# Softer building outlook

## Non-residential construction softening

\$m, annual running total

■ Waitaki District





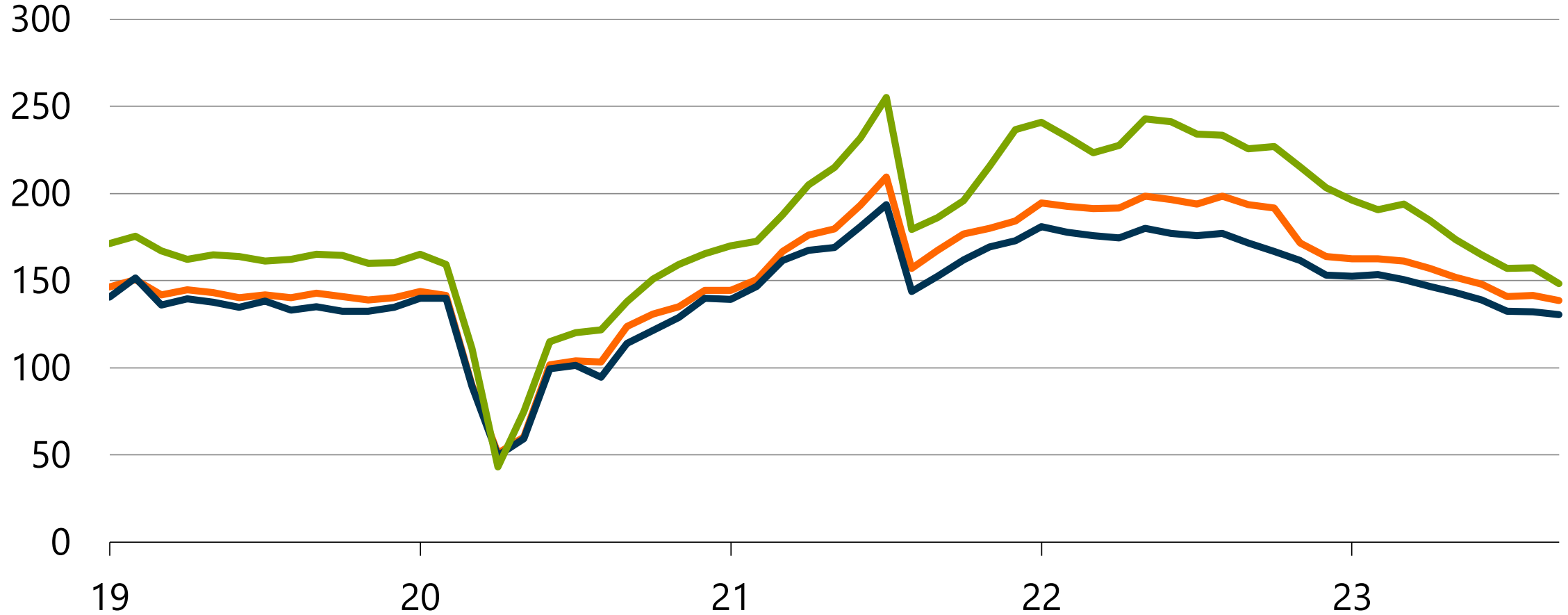
**Stronger employment than  
expected – but will it remain?**

# More people, fewer job ads, but more working?

Job ads now 4% lower than Jan-20

Job Ads Index, seasonally adjusted

- All Vacancies
- Skilled
- Unskilled

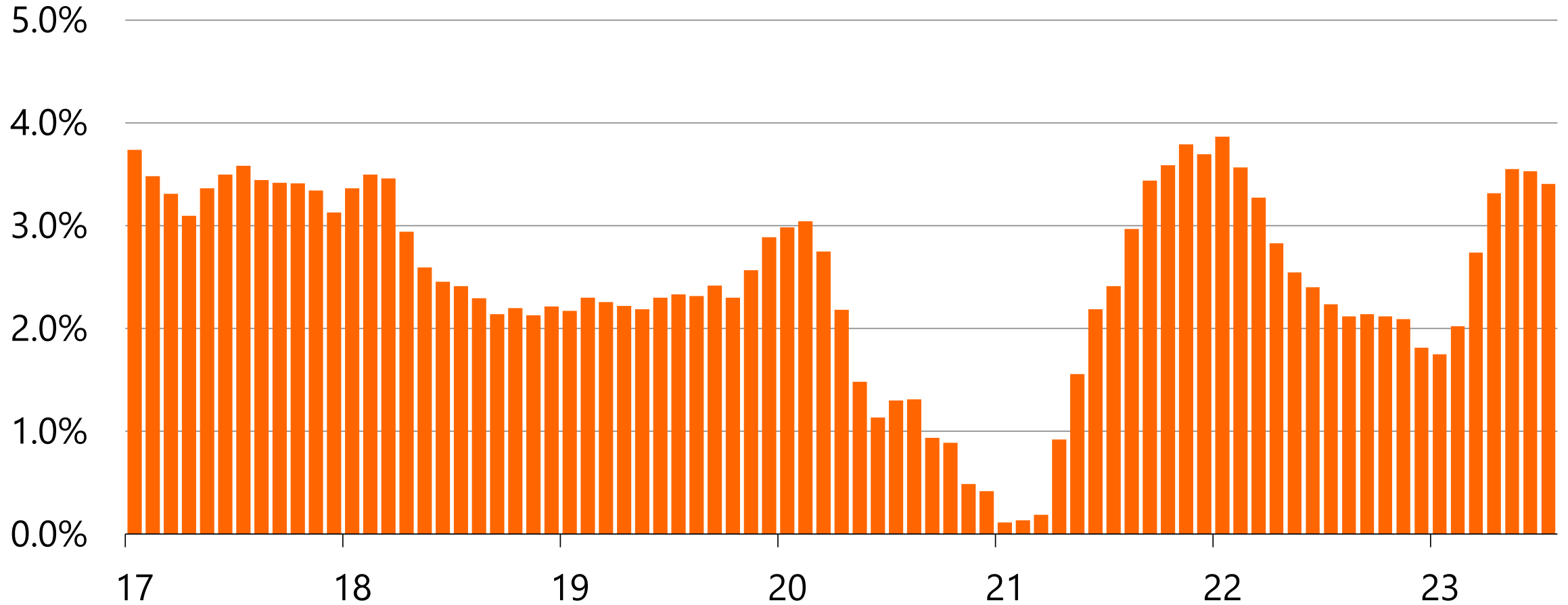


# Strong to steady jobs growth

## Jobs growth still running strong at 3.3%pa

Filled jobs, 3-month annual % change

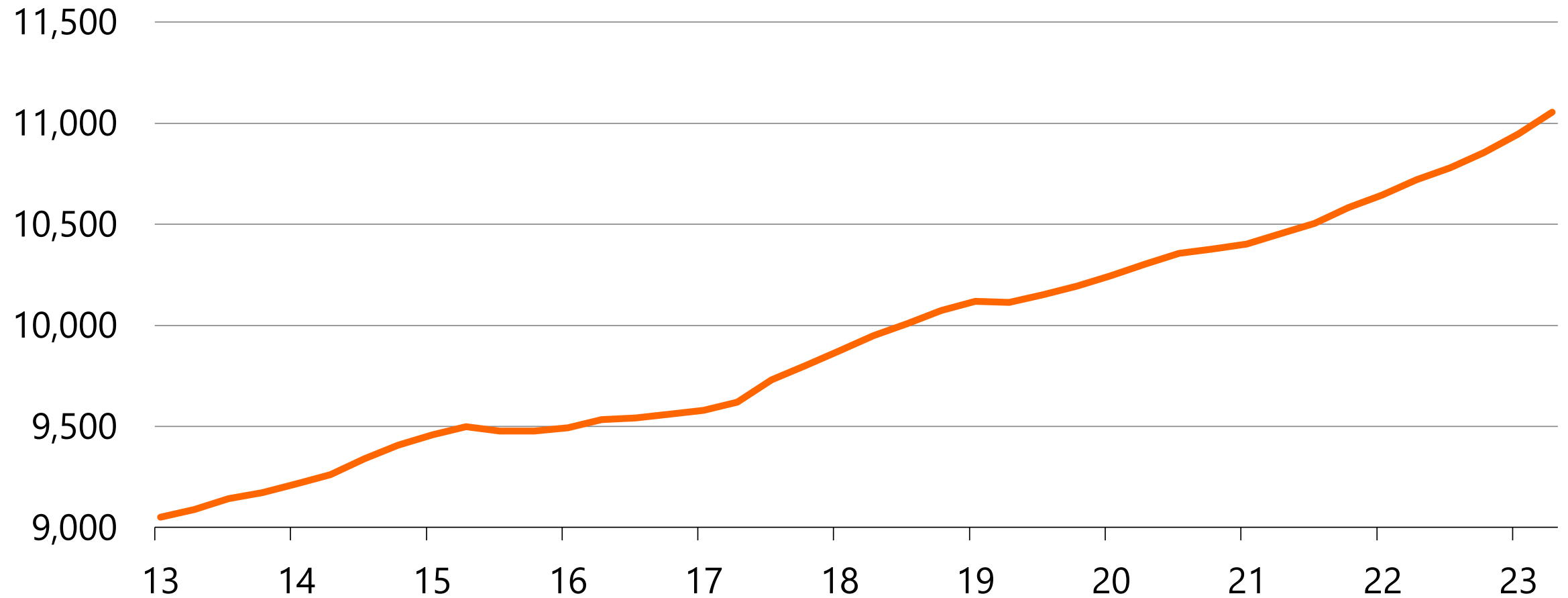
■ All industries



# Strong local jobs growth

Jobs grow 4.0%pa in Q2 2023, faster than NZ

Quarterly filled jobs, by residential address, annual averages

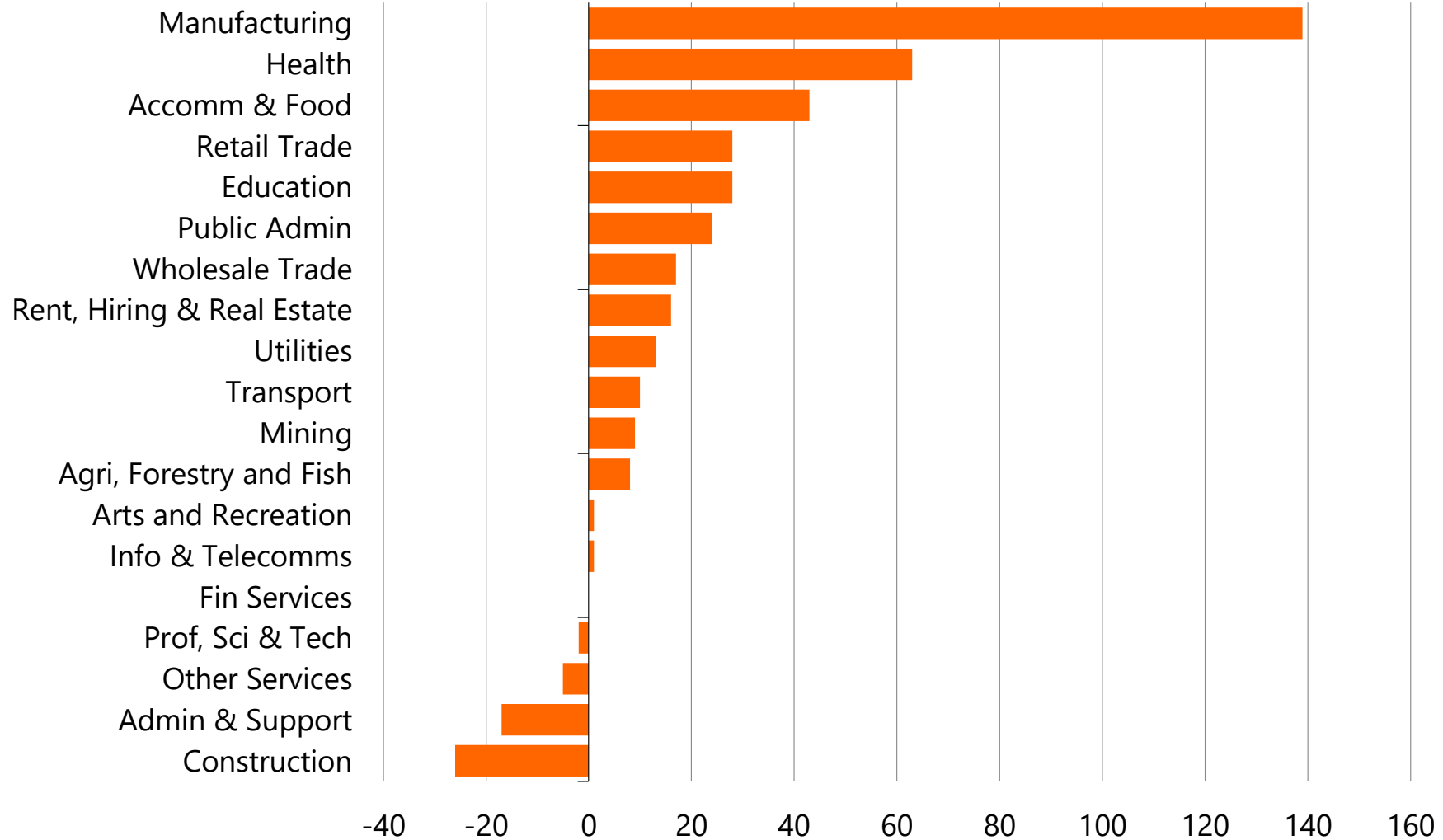


# Concentrated employment increases

Some sectors are performing better than others

Filled jobs by industry, August 2023, Waitaki (residential location)

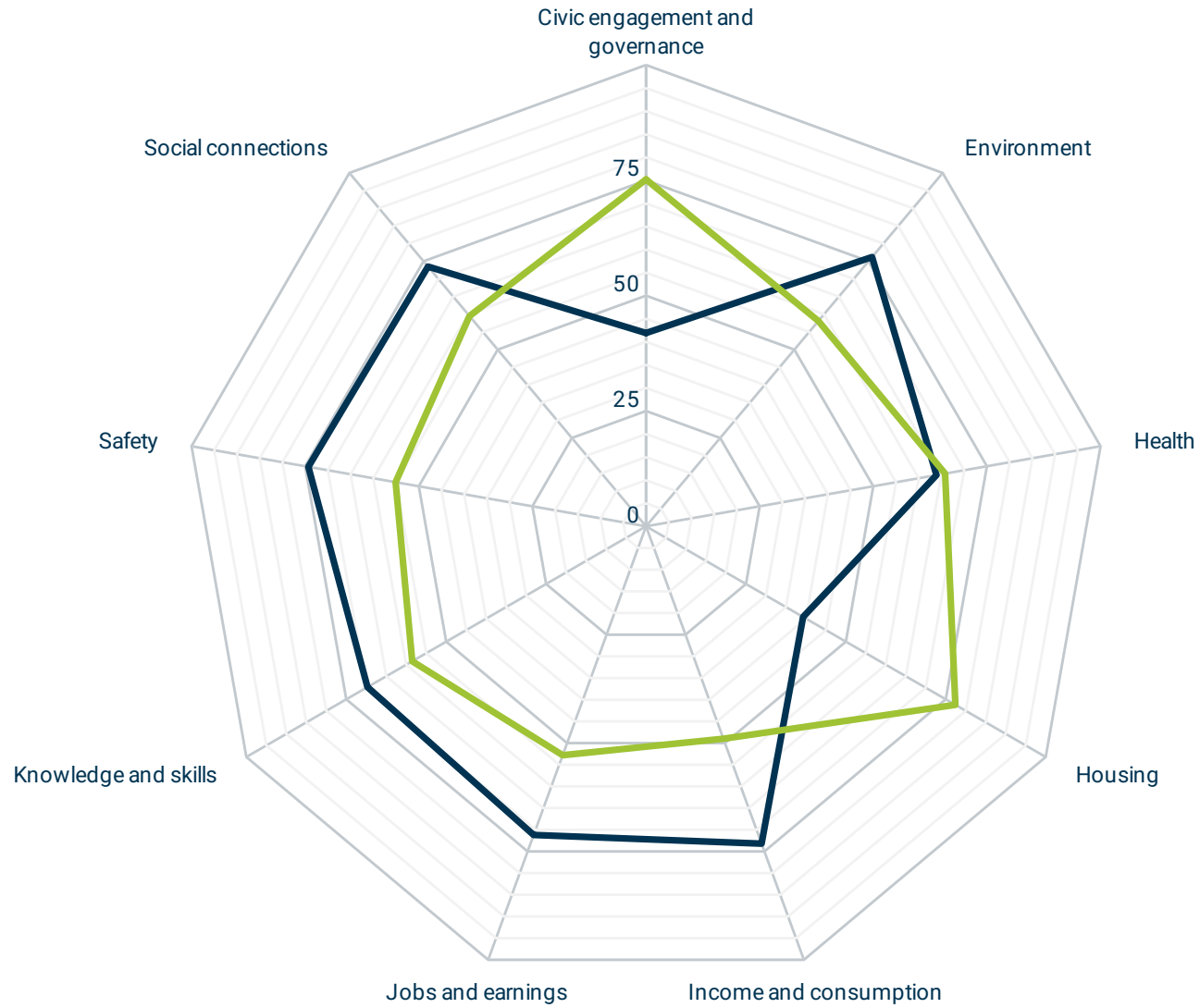
Change from 2022



# Moving beyond just GDP

# Wellbeing increasingly in focus

Waitaki District New Zealand



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